# The Honolulu Advertiser

# Rewald defense rests without 'arms deals' witnesses

## By Walter Wright
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The defense rested abruptly in the Ronald Rewald case yesterday, deciding not to call two final witnesses to talk about supposed "arms deals" in Bishop Baldwin Rewald Dillingham & Wong.

Defense attorneys made their decision after U.S. District Judge Harold Fong said he probably would continue to refuse admission of documents and other evidence on supposed arms deals on grounds they are irrelevant to the fraud, tax and perjury charges against Rewald.

Earlier, the defense decided not to put Rewald on the stand, where he would face cross-examination about Bishop Baldwin for the first time. Defense attorneys said Rewald wouldn't be allowed to tell his whole story because of Fong's ruling that many of Rewald's claims were irrelevant.

Rewald admits taking investors' money under false pretenses but says he did so only to maintain his CIA cover as a wealthy businessman.

The prosecution will attempt to put on a handful of rebuttal witnesses from Wisconsin today and Wednesday, and the jury possibly could get the case by Thursday.

The Wisconsin witnesses are expected to testify that Rewald knew he was breaking the law when he violated Wisconsin franchise investment regulations there in 1976.

David L. Katz, one of the Department of Justice attorneys prosecuting the case, said evidence would offset Rewald's claim that he didn't intend to violate the law in Hawaii even though he continued to take investors' money after being warned about his representations.

The prosecution said it also may call U.S. Attorney Dan Bent as a rebuttal witness to counter a former CIA officer's testimony Wednesday that the lead prosecutor in the case, Assistant U. S. Attorney John Peyton, was working for the CIA in 1983.

Defense expert witness Ralph McGehee, who retired from the CIA in 1977, said he telephoned Peyton at the CIA in May 1983 and got permission from him to travel to Cuba and Nicaragua.

Peyton did work for the CIA until 1981 as head of the litigation division of the agency's general counsel's office and reviewed for security clearance many books written by former agents, including McGehee.

Peyton and Bent have said it was a coincidence that Peyton came to Honolulu just at the time the Rewald case was breaking in July of 1983. Before coming to Honolulu, Peyton was an assistant U.S. attorney in Miami working on drug cases.

Regarding the arms transactions, Judge Fong said that, unless there was evidence of a completed deal, there was no reason to believe that money went out of Bishop Baldwin to buy arms or came into Bishop Baldwin as commission on sales of arms.

"The court saw none in the documents before it," Fong said.

Wayne Parsons, the attorney handling the financial side of Rewald's defense, said expert witnesses will testify that Rewald apparently was making substantial progress in arms deals and that there was some evidence suggesting the company had a $10 million commission coming from the CIA for such a transaction.

That, Fong said, was merely a claim by Rewald attorney Robert Smith in a "self-serving" letter to the CIA. Unless Smith had personal knowledge of such a commission, his statement would be rejected as hearsay, the judge said.

Fong also rejected as "a very convenient staged type of thing" a transcript of a taped conversation among Rewald, Smith and Bishop Baldwin consultant Russell Kim after the collapse of the company on Kim's supposed arms deal negotiations.

Parsons suggested that Rewald's lavish lifestyle and the creation of the appearance of international capabilities was a legitimate business expense to achieve a reputation that would enable the company to sell arms.

Parsons said Leonard Mednick, a certified public accountant who advertises himself as "The Dehassler" in income tax cases, will testify that the arms deals documents show progress in a business transaction and the existence of a business purpose for Bishop Baldwin.